

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission
On Its Own Motion

Requirements governing the form and
content of contract summaries for the
2000 neutral fact-finder process under
Section 16-112(c) of the Public Utilities
Act.

00-0007

CHIEF CLERK'S OFFICE

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ILLINOIS
COMMERCE COMMISSION

REBUTTAL TESTIMONY OF KOBY BAILEY

Q1. Please state your name and business address.

A1. Koby A. Bailey, 1844 Ferry Road, Naperville, Illinois 60563.

Q2. Are you the same Koby Bailey who previously filed Direct Testimony in this
proceeding?

A2. Yes.

Q3. What is the purpose of your Rebuttal Testimony?

A3. My Rebuttal Testimony addresses the Direct Testimonies of Messrs. Feerick and
Geraghty on behalf of Commonwealth Edison Company ("ComEd"), Mr. Bishop
on behalf of the Illinois Commerce Commission Staff ("Staff"), Mr. Hastings on
behalf of Illinois Power ("IP"), Dr. O'Connor on behalf of NewEnergy Midwest,
L.L.C. and references Mr. Miller who testifies on behalf of Central Illinois Public
Service Company d/b/a AmerenCIPS and Union Electric Company d/b/a
AmerenUE ("Ameren").

Q4. How is your testimony organized?

A4. My testimony essentially follows the sequence of the witnesses listed above.

33 Q5. On page 5 of Mr. Feerick's Direct Testimony, he states that "it is not appropriate
34 to unbundle capacity and energy prices from contracts containing only prices
35 stated in \$/mWh" as there is no accepted methodology to do so. Do you agree
36 with Mr. Feerick on this point?

37 A5. Yes. Constructing such an unbundling methodology would complicate matters as
38 well. To construct such a methodology, the parties would have to agree on
39 varying issues such as the valuation of risk, the market for contracts, the level of
40 profits in the transaction and the timing of revenue collection. Therefore, I
41 recommend that in reporting wholesale contracts to the NFF where price is
42 expressed in terms of \$/kWh or \$/mWh, the fixed contract price should be
43 reported for each hour for the term of the contract. So for a one-year term, the
44 fixed kWh price should be entered into all 8760 cells in the applicable spreadsheet
45 for reporting to the NFF.

46 Q6. Do you agree with ComEd Witness Geraghty's testimony regarding the
47 applicability of the CTC in bundled service contracts on lines 38-47 of his Direct
48 Testimony?

49 A6. No. As stated in my Direct Testimony, the Act does not specify tariffed CTC
50 values for unbundling bundled service contracts. While information derived from
51 current utility tariffs probably qualifies as the easiest method to obtain CTC
52 values, the tariffs are certainly not the "best available" information for allocating
53 appropriate CTC values for bundled service contracts. As many witnesses have
54 clearly stated in this docket, utilizing historical CTC values perpetuates a bias to
55 the NFF determination of market value. On this particular issue I agree with IP

Witness Hastings, who provides an exhibit visualizing this circular process, and Ameren Witness Miller, who emphasizes that by utilizing current CTC values to apply to all years of a reported contract, market values for previous years greatly influence NFF determined market values for successive years.

Q7. Do you agree with Staff Witness Bishop in his opinion to utilize tariffed transition charges approved by the ICC for the year 2000 for unbundling contracts?

A7. I agree with Mr. Bishop that this is an issue, but his method of resolving the issue perpetuates the original problem.

Q8. What is your recommendation to alleviate the circularity issue of perpetuating market values through the use of historical CTC figures derived from the delivery service tariffs?

A8. As stated in my Direct Testimony, I suggested using a proxy for CTC values in the form of day-ahead pricing from the historic data on power and energy deliveries into Commonwealth Edison's service territory. It is still my recommendation to utilize this market-driven pricing mechanism to obtain CTC values. However, the use of day-ahead, historic data on power and energy deliveries is not the only method available for appropriately unbundling contracts. IP Witness Hasting's suggestion of utilizing actual market forwards and customer's actual usage to eliminate the inherent bias contained in utilizing tariffed CTC values has merit. However, this process may be burdensome to implement, while my suggestion utilizes constant data. Both proposals deserve contemplation.

78 Q9. Do you agree with ComEd Witness Geraghty's method for deducting delivery
79 service charges that are for demand and energy (lines 49-66)?

80 A9. No. I do not see any benefits for utilizing Mr. Geraghty's methodology. In cases
81 where the price to a customer is encompassed in an "all in rate," the delivery
82 service charges should be spread over all the kWh's for the term of the contract.
83 Under Mr. Geraghty's methodology, if the demand charges are artificially driven
84 to a customer's peak demand, the result will reflect a lower energy and demand
85 charge for on-peak relative to off-peak. This is a curious result given the market
86 for power and energy. I suggest that the more valuable pricing signal is the
87 overall power and energy price. It stands to reason that the simplicity of pricing
88 for customers is an important facet to the final contract entered into. While it is
89 understood that ComEd's rates are peak driven, using Mr. Geraghty's peak
90 demand concept to distort the calculation of the PPO and CTC prices to lower the
91 energy/power prices for on-peak versus off-peak is not appropriate. Simply put,
92 when a retail contract has an "all-in" energy rate, and that rate does not vary on a
93 seasonal or time-of-day basis, then delivery service tariff charges should be
94 spread over all the kilowatt-hours for bundled or all-in contracts. This method is
95 more practical, and reflects the meeting of the minds between the provider and
96 customer.

97 Q10. Do you agree with IP Witness Hastings' characterization about the unbundling of
98 bundled service contract prices (lines 41-48)?

99 A10. Yes. As stated previously, a fair and reasonable determination of market value
100 utilizing current CTC charges contained in tariffs is not possible.

101 Q11. Do you agree with Dr. O'Connor's concern regarding the NFF's general failure to
102 include the costs associated with load shaping and load following?

103 A11. Yes. In the past it appears that the NFF tends to assume block transactions
104 instead of considering load following and load shapes. While this year attention
105 is being made to include the utility's specific load profiles found in their tariffs,
106 the NFF should set the market value to reflect the reality of load following and
107 load shapes inherent in purchasing large blocks of power and energy.

108 Q12. Do you agree with Dr. O'Connor that the NFF should make a load weighted
109 average adjustment in the calculation of the market value?

110 A12. Yes.

111 Q13. Does this conclude your Rebuttal Testimony?

112 A13. Yes.